

# Sequester Impact on EPA's Budget

---

March 2013

OCFO/OARM overview/materials prepared for EPA leadership

# Sequester Calculations

---

- The sequester is applied as an across-the-board reduction to every program area outlined in the Agency's budget.
- The 5% reduction is taken against our FY 2012 budget levels (basis for the 'annualized Continuing Resolution' for FY 2013).
- Baseline – FY 2012 budget\*: \$8,499,385,000
- Overall sequester amount: -424,969,000 (5%)
- There are a number of restrictions on how the sequester is applied to our budget.
- These rules severely limit the flexibility we can apply to where the reductions take place.
- We must maintain the mission of the Agency.

\*\$8.5 B does not reflect Hurricane Sandy funding, differences in rescission calculations or 0.612% adjustment.

# Limit by appropriation

---

- Each appropriation takes the same percentage sequester amount.
- EPA has 8 major appropriations and we cannot cross appropriations.
- Some appropriations cannot be used to pay salary costs.
  - From the overall total, the State and Tribal Assistance Grants (STAG) dollars are handled separately and cannot be used to offset personnel costs.
  - The same applies to the Buildings and Facilities account.

Baseline of 2012 budget	\$8,499,385,000
Less State and Tribal Assistance Grants:	-3,612,937,000
Less Buildings and Facilities	-38,370,000

New total ('sequester operating budget')	\$4,848,078,000
--	-----------------

- This is the 'sequester operating budget' where we must balance reductions to personnel costs and reductions to all other costs.

# Proportion of Personnel to Other Costs

---

- Within the 'sequester operating budget', in the FY 2012 budget, about half of the funds support personnel costs – salaries and benefits.

New total (seq. operating budget)	\$4,848,078,000
Salary costs in FY 2012 budget	-2,269,298,000
All other:	\$2,578,780,000

- The 'all other' funds support contracts, grants, WCF, supplies, expenses, and travel.

# Personnel Costs for FY 2013

---

- 

However additional salary funds are needed because personnel costs have risen in FY 2013, even without a cost of living adjustment (COLA).

- Within-grade increases affect approximately 40% of the workforce each year, along with career ladder promotions, and benefits costs increases.
- The 1 for 2 hiring restriction that the Agency put in place in FY 2012 has helped manage the growth in overall personnel costs.

- 

Salary costs in FY 2012 budget	\$2, 269,298,000
Additional funds needed for 2013	3,117,000

FY 2013 updated salary costs*	\$2,272,415,000
----------------------------------	-----------------

- This is the salary amount used for sequester calculations.
- The increase needed for personnel costs must be absorbed by the 'all other' portion of the budget.
- For context, the daily salary cost for Agency personnel is approximately \$8.7 M.

\*incorporates all changes as of February 21, 2013.  
Current on-boards only, without COLA



# 'All Other' Costs for 2013

---

- 

The increases required for salary costs along with rent costs (described on the next page), must be absorbed by the 'all other' portion of the budget.

All other in FY 2012 budget	\$2,578,780,000
FY 2013 salary costs increase	-3,117,000
FY 2013 salary rescission adj.*	1,706,000
FY 2013 rent increase includes rent sequester (see next page)	-16,436,000
New 'all other' total	\$2,557,521,000

- This is the 'all other' amount used for sequester calculations.
- If no furloughs applied, full sequester would mean an effective 19% reduction in final half of year against 'all other' funds, jeopardizing our mission work.

\*Note rescission shows against current dollars but is applied to prior year funds

# 'All Other' Costs for 2013

---

- Rent is another mandatory cost that increases in 2013
  - The FY 2012 base budget contained a budget line item for rent, at the 2012 cost.
  - However lease costs increase each year so the 2013 additional costs must be found from other places in the base budget.
  - There is no adjustment downward to the 2013 rent bill to help with sequester due to a law that requires GSA to charge the market rate for rent.

Rent in 2012	\$246,870,000
Rent in 2013	\$250,962,000
Increased rent need for 2013	4,092,000

Rent line item	12,344,000
sequester	
Amount to be	\$16,436,000
absorbed by 'all other'	

# Restrictions to Sequester Calculation

---

- - The sequester law requires the reductions to be taken by individual line item in the budget (program area – see list posted on this site).
  - EPA also has restrictions to the reductions it can take to geographic programs (such as the Chesapeake Bay, Puget Sound, etc.), further limiting flexibility.
- Each program area has a different mix of personnel costs and other costs.
- We must work within each program area's total to provide essential services such as WCF - phones and computers - along with the salary costs.

- There are 10 program areas where personnel costs exceed 70% of the total (41% of the 24 relevant areas).
- Due to 2013 salary cost increases, there are 4 programs where there are 0 dollars remaining for costs other than personnel after the sequester.

# Mitigation and Uncertainty

---

- The Agency has looked at all the potential tools for mitigating the number of furlough hours that employees must take.
- We hope to be able to reduce the number of furlough hours required, however there are key pieces of information still unknown.
  - The current Continuing Resolution expires on March 27th.
  - Until Congress takes action, we won't know our total appropriated budget for FY 2013 – and it could be higher or lower.
  - Uncertain whether any % COLA will be enacted. Impact of proposed 0.5% COLA is approximately \$6 M.

# Mitigation and Uncertainty

---

- One important tool for mitigating the impacts of the reductions could be an increase over FY 2012 that was included in the current Continuing Resolution.
  - There was an across-the-board increase of 0.612% (annual) for each appropriation for every agency.
  - We don't know if the increase will be included in the final appropriated FY 2013 budget.
- Another important tool is the 'reassessment' period in June.
  - Salary costs change each pay period, due to departures, LWOP, etc, and there may be some savings that can be applied.



- By then we should know our full year appropriated budget for 2013.
- The Agency will continue to look at all potential tools to mitigate the impact of the sequester on employees.

# Furlough Decision

---

- Taking into account the significant uncertainty around the final appropriated budget and the importance of this decision, the Agency is applying an initial proportional sequester to salary and all other costs.
- The program area structure means the impacts to 'all other' dollars range from some reductions at just over 6%, while many are at 15-25% , and one or two are reduced over 50%.
- 5% against the updated 2013 salary total of \$2,272,415,000 is \$113,000,000, which translates to 13 days of furlough. That is why the notices state that staff will be furloughed 'up to 13 days'.
- Furloughs will be taken in hourly increments. 13 days translates to 104 hours for full time staff. Proportionate furloughs will apply for part-time staff.

- The Agency determined that all employees who may be furloughed by law, would take the same number of furlough hours.
  - This ensures equitable treatment of all EPA employees, minimizes disruption to the Agency's operations, and lessens the impact to employee morale.
  - It meets the legal framework for furlough actions outlined under the applicable regulations.
  - It is consistent with the fact that the sequester applies as an across-the-board reduction to all program areas.
- The hope is to mitigate the impact once final budgets are known.